

Electricity consumers: MoF seeks data to broaden tax base

Ministry of Finance has sought electricity consumers' data from Distribution Companies (Discos) aimed at identifying individuals with taxable income who are still outside tax net, sources close to Prime Minister Advisor on Finance, Revenue and Economic Affairs told *Business Recorder*. Dr Miftah Ismail has sent a letter to Minister for Power Division, Sardar Awais Ahmad Khan Leghari and sought his help in this regard. The total number of electricity consumers in Pakistan is around 25 million including in Karachi.

Ismail, who got close to Prime Minister Abbasi as Chairman SSGCL Board of Directors when he was Minister for Petroleum and Natural Resources, in his letter stated that broadening of tax base was identified as a priority by Prime Minister Shahid Khaqan Abbasi upon assuming office in August 2017; and maintains that while Federal Board of Revenue (FBR) is already making efforts to expand the database of individuals with taxable income, a number of new measures are also being considered.

With a view to give further impetus to these efforts, the Prime Minister has desired that the database available with the various public sector organisations and entities may be shared with National Database and Registration Authority (NADRA), he added.

The Authority would use its specialized data processing capabilities and analyze these databases, in consultation with the FBR, to identify individuals with taxable income who are outside the tax net. He further stated that the database required to be analyzed includes billing data of electricity Distribution Companies (Discos).

The Prime Minister's Advisor has requested the Minister for Power Division that the Disco be directed to share complete data of electricity billing with NADRA, in soft form. The details of required data and contact details of focal person in NADRA has also been shared with Discos. "Your support and cooperation in this endeavour would contribute to greater resource mobilization for the federal as well as provincial governments," he said in his letter to Leghari.

In December 2017, Prime Minister Shahid Khaqan Abbasi had directed the FBR to broaden the tax base through conversion of 80 million holders of Computerised National Identity Cards (CNIC) into National Tax Number (NTN) and trace out transactions of potential 8 to 10 million non-filers with use of technology in order to bring them into the tax net.

He said that taxation and growth should go hand in hand, and it can only be done through fair taxation system. The Prime Minister further stated that if growth of business and economy will be choked there will be no increase in tax collection.

According to an estimate Pakistan's tax capacity is 22.3 percent of GDP, which implies a tax revenue gap of about 10 percent of GDP as of 2016. Even though its estimated tax effort improved from 0.43 in 2011 to 0.56 in 2016, Pakistan is still significantly below the average of comparator countries (0.64) and high-income countries (0.76).

The IMF Board in July 2017 stated that in view of Pakistan's still low tax-to-GDP ratio,

mobilizing additional tax revenues by broadening the tax base and strengthening tax administration would be key to support fiscal consolidation and generate resources to step up priority spending. In parallel, containing the growth of the wage bill and further rationalizing electricity subsidies would free resources to increase growth-supporting public investment and priority social spending.

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